

**City of West Burlington**

**Independent Auditor's Report  
Management's Discussion and Analysis  
Financial Statements and Supplementary Information  
Independent Auditor's Report on Internal Control and Compliance  
Schedule of Findings and Questioned Costs**

**June 30, 2010**

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## City of West Burlington

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hans Trousil	Mayor	December, 2011
Rod Crowner	Council Member	December, 2011
Therese Lees	Council Member	December, 2011
Richard Raleigh	Council Member	December, 2011
Kara Steward	Council Member	December, 2013
Dan West	Council Member	December, 2013
Dan Gifford	City Administrator	Not Elected
Leslie Sattler	Finance Officer	Not Elected
Kelly Fry	City Clerk	Not Elected



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## **Independent Auditor's Report**

Honorable Mayor and Members of the City Council  
City of West Burlington, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 10 and budgetary comparison information on pages 22 and 23 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting.

Other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*CPA Associates PC*

September 28, 2010

## **City of West Burlington Management's Discussion and Analysis**

The City of West Burlington (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2010 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 11%, or approximately \$464,000, from fiscal 2009 to fiscal 2010. Bond proceeds were received for \$260,000 in fiscal 2010. Tax increment financing collections increased \$288,000 and use of money and property receipts decreased \$39,000.
- Disbursements of the City's governmental activities increased 6%, or approximately \$275,000, from fiscal 2009 to fiscal 2010. Public works disbursements increased \$112,000 and debt service increased \$406,000. Capital projects decreased \$287,000 in fiscal 2010.
- The City's total cash basis net assets decreased 24%, or approximately \$1,028,000, from June 30, 2009 to June 30, 2010. The majority of this decrease is due to the water distribution project. The bond proceeds were received in fiscal year 2009 and the majority of the project work was done in fiscal year 2010.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-wide Financial Statements consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the City's budget for the year.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **City of West Burlington Management's Discussion and Analysis**

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

### **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

#### *Government-wide Financial Statements*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

#### *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Sales Tax and TIF, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Other Nonmajor Governmental Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

**City of West Burlington  
Management's Discussion and Analysis**

The required financial statement for governmental funds includes a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains the Enterprise Funds to provide information for water and sewer, considered to be major funds of the City.

The required financial statement for proprietary funds includes a statement of cash receipts, disbursements and changes in cash balances.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago from \$2.50 million to \$2.26 million. The analysis that follows focuses on the changes in cash balance for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2009</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for services	\$ 329	\$ 280
Operating grants, contributions and restricted interest	394	425
Capital grants, contributions and restricted interest	10	-
General receipts:		
Property tax	2,525	2,800
Local option sales tax	440	448
Use of money and property	122	83
Other general receipts	392	380
Bond proceeds	-	260
Total receipts	<u>4,212</u>	<u>4,676</u>
Disbursements:		
Public safety	1,121	1,180
Public works	510	622
Culture and recreation	289	221
Community and economic development	230	278
General government	433	438
Debt service	1,358	1,764
Capital projects	756	469
Total disbursements	<u>4,697</u>	<u>4,972</u>
Change in cash basis net assets before transfers	(485)	(296)
Transfers net	<u>(56)</u>	<u>51</u>
Change in cash basis net assets	(541)	(245)
Cash basis net assets beginning of year	<u>3,045</u>	<u>2,504</u>
Cash basis net assets end of year	<u>\$ 2,504</u>	<u>\$ 2,259</u>



**City of West Burlington  
Management's Discussion and Analysis**

The City's total receipts for governmental activities increased by 11%, or \$464,000. This was mainly due to bond proceeds of \$260,000 for the purchase of land. The total cost of all programs and services increased by approximately \$275,000 or 6%, with no new programs added this year.

The cost of all governmental activities this year was \$4.97 million compared to \$4.70 million last year. However, as shown in the Statement of Activities and Net Assets on page 11, the amount taxpayers ultimately financed for these activities was \$4.27 million because some of the cost was paid by those who directly benefited from the programs \$(280,000) or by other governments and organizations that subsidized certain programs with grants and contributions \$(425,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in 2010 from approximately \$733,000 to approximately \$705,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$4,266,000 in tax (some of which could only be used for certain programs) and with other receipts, such as bond proceeds, interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	Year Ended June 30,	
	<u>2009</u>	<u>2010</u>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 660	\$ 667
Sewer	398	419
Capital grants, contributions and restricted interest	481	24
General receipts:		
Bond proceeds	1,324	5
Miscellaneous receipts	<u>39</u>	<u>39</u>
Total receipts	<u>2,902</u>	<u>1,154</u>
Disbursements:		
Water	1,906	1,418
Sewer	<u>494</u>	<u>468</u>
Total disbursements	<u>2,400</u>	<u>1,886</u>
Change in cash basis net assets before transfer	502	(732)
Transfers, net	<u>56</u>	<u>(51)</u>
Change in cash basis net assets	558	(783)
Cash basis net assets beginning of year	<u>1,157</u>	<u>1,715</u>
Cash basis net assets end of year	<u>\$ 1,715</u>	<u>\$ 932</u>

Total business type activities receipts for the fiscal year were \$1.15 million compared to \$2.90 million last year. The significant decrease was due primarily to the bond proceeds of \$1,324,000 in 2009. The cash balance decreased by approximately \$783,000. Total disbursements for the fiscal year decreased by approximately 21% to a total of \$1.89 million due to the completion of the water distribution improvement project.

**City of West Burlington  
Management's Discussion and Analysis**

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City completed the year, its governmental funds reported a combined fund balance of \$2,259,000, a decrease of \$245,000 from last year's total of \$2,504,000. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the cash balance of the General Fund was \$849,000, a decrease of \$333,000 from the prior year. The change is due to decreases in the following receipts: property taxes, \$14,000; use of money and property, \$20,000; charges for services, \$22,000; and miscellaneous receipts, \$27,000. A majority of the decrease was total transfers in decreased by \$191,000 from the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased by 47,000 to \$202 during the fiscal year. State road tax funds are distributed based upon population. The City does receive additional funds for a transfer of jurisdiction agreement. There was an increase in Street projects in the current fiscal year.
- The Special Revenue, Local Option Sales Tax was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. This year the City transferred 35% of these Local Option Sales Tax revenues to the general fund. Debt Service is required to receive 25% of Local Option Sales Tax Revenues. The remainder is used to pay for capital projects and ambulance service, and to make airport authority payments. At the end of the fiscal year, the fund balance was \$201,000.
- The Special Revenue, Tax Increment Financing collections (TIF) increased by \$97,000 to \$786,000 during the fiscal year.
- The Capital Projects Fund cash balance increased by \$21,000 to \$326,402 during the fiscal year.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased \$738,000 to \$583,000, due primarily to the completion of the water distribution project.
- The Sewer Fund cash balance decreased \$17,000 to \$149,000 during the fiscal year.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The amendment was approved on May 19, 2010 and resulted in an increase in revenues of approximately \$308,000 and an increase in disbursements of approximately \$1,564,000. Revenue increases included intergovernmental and miscellaneous. Expenditure increases included capital projects, business type/enterprises, public safety and debt service.

**City of West Burlington  
Management's Discussion and Analysis**

**DEBT ADMINISTRATION**

At June 30, 2010, the City had approximately \$5,068,000 in bonds and other long-term debt, compared to approximately \$6,349,000 last year, as shown below.

Outstanding Debt at Year End (Expressed in Thousands)	June 30,	
	<u>2009</u>	<u>2010</u>
General obligation bonds	\$ 5,800	\$ 4,545
Water revenue loan	329	328
Urban renewal tax increment financing	<u>220</u>	<u>195</u>
Total	<u>\$ 6,349</u>	<u>\$ 5,068</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding combined general obligation debt of \$4.55 million and tax increment financing rebate agreements of \$1.78 million brings the City's debt limit to \$6.33 million, which is below its constitutional debt limit of \$10.07 million. In addition, the City has urban renewal tax increment financing revenue bonds of \$195,000.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials and citizens considered many factors when setting the 2011 fiscal year budget, tax rates, and fees that will be charged for various City activities. Those factors included the economy, employment rates, operating expenses, capital projects, and increases in service and state mandates. Unemployment in the County now stands at 8.2%, versus 7.1% a year ago. These indicators were taken into account when adopting the budget for fiscal year 2011.

For fiscal year 2010/2011 the City's tax rate maintained at \$9.86 per \$1,000 of taxable assessed valuation.

Excluding grants and loans for projects and transfers, receipts were increased by 5% (\$300,000) and disbursements were decreased by 2% (\$146,000). The increase in revenues is due in part because of increased debt obligations and higher fees for garbage, recycling, water and sewer rates.

The City requested to reduce the taxable assessed value in the TIF area by \$12,000,000 for fiscal year 2010/2011 which resulted in a reduction of approximately \$450,000 in TIF revenues that was not needed to pay debt obligations for FY 2010/2011. Along with reserves the TIF areas will generate sufficient tax revenue to pay all TIF debt requirements.

The general fund expenditures are projected to exceed revenues by \$215,000, not including internal loan repayments of \$156,000. The City has enough reserves to cover the projected deficit. Revenues are expected to exceed expenditures in the Road Use Fund by \$1,400.

The City has completed the 2nd connection to Burlington Water Project. The City has funded this project through SRF Water Revenue Bond, General Obligation Bond and water reserves. The water reserve bond requirement states that water user charges must be at a level to produce and maintain net revenues equal to at least 110% of the principal and interest requirements due in the same year. As a result of the water sales were not adequate to sufficiently cover the water bond requirements rates were increased 5% in the budget for fiscal year 2010/2011.

**City of West Burlington  
Management's Discussion and Analysis**

The sewer fund balance has expenditures exceeding revenues of approximately \$5,600. This includes an internal loan repayment of \$20,000. Rates were increased in the budget to generate approximately \$30,000 in additional revenues. There are sufficient reserves to cover the operating loss.

Other Projects the City is presently working on are the Mall Road Project, and Broadway & Agency Storm Sewer.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to Dan Gifford, City Administrator, City of West Burlington, 122 Broadway, West Burlington, Iowa 52655.

## **BASIC FINANCIAL STATEMENTS**

**City of West Burlington**  
**Statement of Activities and Net Assets - Cash Basis**  
**As of and for the Year Ended June 30, 2010**

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 1,179,756	\$ 43,175	\$ 93,160	\$ -	\$ (1,043,421)	\$ -	\$ (1,043,421)
Public works	622,353	133,011	306,832	-	(182,510)	-	(182,510)
Culture and recreation	221,293	103,955	23,658	-	(93,680)	-	(93,680)
Community and economic development	277,976	335	-	-	(277,641)	-	(277,641)
General government	437,693	-	1,479	-	(436,214)	-	(436,214)
Debt service	1,763,709	-	-	-	(1,763,709)	-	(1,763,709)
Capital projects	469,288	-	-	-	(469,288)	-	(469,288)
Total governmental activities	<u>4,972,068</u>	<u>280,476</u>	<u>425,129</u>	<u>-</u>	<u>(4,266,463)</u>	<u>-</u>	<u>(4,266,463)</u>
Business type activities:							
Water	1,417,694	666,646	-	24,055	-	(726,993)	(726,993)
Sewer	467,618	418,724	-	-	-	(48,894)	(48,894)
Total business type activities	<u>1,885,312</u>	<u>1,085,370</u>	<u>-</u>	<u>24,055</u>	<u>-</u>	<u>(775,887)</u>	<u>(775,887)</u>
Total	<u>\$ 6,857,380</u>	<u>\$ 1,365,846</u>	<u>\$ 425,129</u>	<u>\$ 24,055</u>	<u>(4,266,463)</u>	<u>(775,887)</u>	<u>(5,042,350)</u>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					829,918	-	829,918
Tax increment financing					1,968,925	-	1,968,925
Debt service					1,047	-	1,047
Local option sales tax					448,254	-	448,254
Unrestricted investment earnings					82,954	300	83,254
Bond proceeds					260,000	5,000	265,000
Transfers					50,636	(50,636)	-
Miscellaneous					379,507	38,535	418,042
Total general receipts and transfers					<u>4,021,241</u>	<u>(6,801)</u>	<u>4,014,440</u>
Change in cash basis net assets					(245,222)	(782,688)	(1,027,910)
Cash basis net assets beginning of year					<u>2,503,802</u>	<u>1,714,587</u>	<u>4,218,389</u>
Cash basis net assets end of year					<u>\$ 2,258,580</u>	<u>\$ 931,899</u>	<u>\$ 3,190,479</u>
<b>Cash Basis Net Assets</b>							
Restricted:							
Expendable:							
Road Use					\$ 202	\$ -	\$ 202
Sales Tax					201,027	-	201,027
TIF					786,272	-	786,272
Capital Projects					326,402	-	326,402
Other purposes					95,500	199,849	295,349
Unrestricted					<u>849,177</u>	<u>732,050</u>	<u>1,581,227</u>
Total cash basis net assets					<u>\$ 2,258,580</u>	<u>\$ 931,899</u>	<u>\$ 3,190,479</u>

See notes to financial statements.

**City of West Burlington**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Governmental Funds**  
**As of and for the Year Ended June 30, 2010**

	Special Revenue						Other Nonmajor	
	General	Road Use	Sales Tax	TIF	Debt Service	Capital Projects	Governmental	Total
Receipts:								
Property tax	\$ 825,698	\$ -	\$ -	\$ -	\$ 1,047	\$ -	\$ -	\$ 826,745
Tax increment financing collections	-	-	-	1,968,925	-	-	-	1,968,925
Other taxes	4,220	-	448,254	-	-	-	193,659	646,133
Use of money and property	82,534	-	-	-	-	420	-	82,954
License and permits	45,790	-	-	-	-	-	-	45,790
Intergovernmental	70,360	293,026	-	-	-	13,806	-	377,192
Charges for services	205,383	-	946	-	-	-	-	206,329
Miscellaneous	165,890	-	2,286	-	-	2,331	91,635	262,142
Total receipts	<u>1,399,875</u>	<u>293,026</u>	<u>451,486</u>	<u>1,968,925</u>	<u>1,047</u>	<u>16,557</u>	<u>285,294</u>	<u>4,416,210</u>
Disbursements:								
Operating:								
Public safety	1,162,538	-	17,218	-	-	-	-	1,179,756
Public works	290,409	301,750	22,098	-	-	8,096	-	622,353
Culture and recreation	186,723	-	6,785	-	-	-	27,785	221,293
Community and economic development	2,379	-	5,000	270,597	-	-	-	277,976
General government	210,653	-	12,329	-	-	-	214,711	437,693
Debt service	-	-	-	37,590	1,726,119	-	-	1,763,709
Capital projects	-	29,121	261,781	111,644	-	66,742	-	469,288
Total disbursements	<u>1,852,702</u>	<u>330,871</u>	<u>325,211</u>	<u>419,831</u>	<u>1,726,119</u>	<u>74,838</u>	<u>242,496</u>	<u>4,972,068</u>
Excess (deficiency) of receipts over disbursements	(452,827)	(37,845)	126,275	1,549,094	(1,725,072)	(58,281)	42,798	(555,858)
Other financing sources (uses):								
Bond proceeds	-	-	260,000	-	-	-	-	260,000
Operating transfers in (out)	<u>120,321</u>	<u>(9,039)</u>	<u>(374,097)</u>	<u>(1,452,027)</u>	<u>1,726,120</u>	<u>78,997</u>	<u>(39,639)</u>	<u>50,636</u>
Net change in cash balances	(332,506)	(46,884)	12,178	97,067	1,048	20,716	3,159	(245,222)
Cash balances beginning of year	<u>1,181,683</u>	<u>47,086</u>	<u>188,849</u>	<u>689,205</u>	<u>3,077</u>	<u>305,686</u>	<u>88,216</u>	<u>2,503,802</u>
Cash balances end of year	<u>\$ 849,177</u>	<u>\$ 202</u>	<u>\$ 201,027</u>	<u>\$ 786,272</u>	<u>\$ 4,125</u>	<u>\$ 326,402</u>	<u>\$ 91,375</u>	<u>\$ 2,258,580</u>
<b>Cash Basis Fund Balances</b>								
Reserved for debt service	\$ -	\$ -	\$ -	\$ 786,272	\$ 4,125	\$ -	\$ -	\$ 790,397
Unreserved:								
General fund	849,177	-	-	-	-	-	-	849,177
Special revenue fund	-	202	201,027	-	-	-	91,375	292,604
Capital projects fund	-	-	-	-	-	326,402	-	326,402
<b>Total cash basis fund balances</b>	<u>\$ 849,177</u>	<u>\$ 202</u>	<u>\$ 201,027</u>	<u>\$ 786,272</u>	<u>\$ 4,125</u>	<u>\$ 326,402</u>	<u>\$ 91,375</u>	<u>\$ 2,258,580</u>

See notes to financial statements.

**City of West Burlington**  
**Statement of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Proprietary Funds**  
**As of and for the Year Ended June 30, 2010**

	Enterprise Funds					
	Water Service	Water Equipment Reserve	Sewer Service	Sewer Equipment Reserve	Nonmajor Enterprise Fund	Total
Operating Receipts:						
Charges for services	\$ 666,646	\$ -	\$ 418,724	\$ -	\$ -	\$ 1,085,370
Total operating receipts	<u>666,646</u>	<u>-</u>	<u>418,724</u>	<u>-</u>	<u>-</u>	<u>1,085,370</u>
Operating Disbursements:						
Business type activities	<u>677,266</u>	<u>-</u>	<u>449,951</u>	<u>-</u>	<u>2,534</u>	<u>1,129,751</u>
Total operating disbursements	<u>677,266</u>	<u>-</u>	<u>449,951</u>	<u>-</u>	<u>2,534</u>	<u>1,129,751</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(10,620)</u>	<u>-</u>	<u>(31,227)</u>	<u>-</u>	<u>(2,534)</u>	<u>(44,381)</u>
Non-operating receipts (disbursements):						
Interest on investments	300	-	-	-	-	300
Miscellaneous	31,690	-	20,676	-	12,758	65,124
Debt proceeds	5,000	-	-	-	-	5,000
Debt service	(11,695)	-	-	-	-	(11,695)
Capital projects	<u>(728,733)</u>	<u>-</u>	<u>(17,667)</u>	<u>-</u>	<u>-</u>	<u>(746,400)</u>
Net non-operating receipts (disbursements)	<u>(703,438)</u>	<u>-</u>	<u>3,009</u>	<u>-</u>	<u>12,758</u>	<u>(687,671)</u>
Excess of receipts over disbursements	(714,058)	-	(28,218)	-	10,224	(732,052)
Operating transfers in (out)	<u>(24,114)</u>	<u>5,032</u>	<u>11,335</u>	<u>(42,889)</u>	<u>-</u>	<u>(50,636)</u>
Net change in cash balances	(738,172)	5,032	(16,883)	(42,889)	10,224	(782,688)
Cash balances beginning of year	<u>1,321,109</u>	<u>114,993</u>	<u>165,996</u>	<u>42,889</u>	<u>69,600</u>	<u>1,714,587</u>
Cash balances end of year	<u>\$ 582,937</u>	<u>\$ 120,025</u>	<u>\$ 149,113</u>	<u>\$ -</u>	<u>\$ 79,824</u>	<u>\$ 931,899</u>
<b>Cash Basis Fund Balances</b>						
Reserved for other purposes	\$ -	\$ 120,025	\$ -	\$ -	\$ 79,824	\$ 199,849
Reserved for debt service	961	-	-	-	-	961
Unreserved	<u>581,976</u>	<u>-</u>	<u>149,113</u>	<u>-</u>	<u>-</u>	<u>731,089</u>
<b>Total cash basis fund balances</b>	<u>\$ 582,937</u>	<u>\$ 120,025</u>	<u>\$ 149,113</u>	<u>\$ -</u>	<u>\$ 79,824</u>	<u>\$ 931,899</u>

See notes to financial statements.



**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

The City of West Burlington (City) is a political subdivision of the State of Iowa located in Des Moines County. It was first incorporated in 1884 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the GASB criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City. City officials are members of the following boards and commissions: Des Moines County Regional Solid Waste Commission and Southeast Iowa Regional Airport Authority Board. See Note 9 for details. Both of these organizations have financial statements available at City Hall.

The City officials are also members of the following: 28E purchasing arrangements, regional planning commission, E911 joint service boards, Southeast Iowa area safety support organizations, ambulance associations, and the drug task force.

Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

*Expendable restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

**Special Revenue:**

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund (TIF) is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and is used for capital improvements, equipment and community programs and services.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (continued)**

The Water Equipment Reserve account consists of funds set aside for major equipment purchases for the water department.

The Sewer Equipment Reserve account consists of funds set aside for major equipment purchases for the sewer department.

Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the Public Works function.

Subsequent Events

The City performed an evaluation of subsequent events through September 28, 2010, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2010.

**Note 2. Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll, except for police employees, in which case the percentages are 6.14% and 9.20%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$95,569, \$87,115, and \$82,823, respectively, equal to the required contributions for each year.

**City of West Burlington**  
**Notes to Financial Statements**

**Note 3. Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and water revenue note are as follows:

Year Ending June 30,	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Water Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,501,000	\$ 159,425	\$ 30,000	\$ 10,978	\$ 1,000	\$ 9,840	\$ 1,532,000	\$ 180,243
2012	1,121,000	111,438	30,000	9,448	15,000	9,810	1,166,000	130,696
2013	792,000	73,540	30,000	7,843	16,000	9,360	838,000	90,743
2014	827,000	42,435	35,000	6,178	16,000	8,880	878,000	57,493
2015	18,000	9,120	35,000	4,165	16,000	8,400	69,000	21,685
2016-2020	97,000	37,290	35,000	2,100	90,000	34,380	222,000	73,770
2021-2025	113,000	21,780	-	-	104,000	20,010	217,000	41,790
2026-2028	<u>76,000</u>	<u>4,590</u>	<u>-</u>	<u>-</u>	<u>70,000</u>	<u>4,230</u>	<u>146,000</u>	<u>8,820</u>
	<u>\$ 4,545,000</u>	<u>\$ 459,618</u>	<u>\$ 195,000</u>	<u>\$ 40,712</u>	<u>\$ 328,000</u>	<u>\$ 104,910</u>	<u>\$ 5,068,000</u>	<u>\$ 605,240</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

Urban Renewal Tax Increment Financing Revenue Bond

The City issued an urban renewal tax increment financing (TIF) revenue bond for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bond is payable solely from the income and proceeds of the Special Revenue Fund, Urban Renewal Tax Increment Financing and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the Urban Tax Increment Financing shall be expended only for purposes that are consistent with the plans of the City's urban renewal area. The bond is not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bond is \$235,712, payable through June 2016. For the current year, principal and interest paid and total TIF receipts were \$37,190 and \$1,968,925, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue bond. The bond was issued August 2008. Proceeds from the notes provided financing for the construction of several water system projects. The note is payable solely from water customer net receipts and is payable through 2028. The total principal and interest remaining to be paid on the notes is \$432,910. For the current year, principal and interest paid and total customer net receipts (disbursements) were \$10,870 and \$(10,620), respectively.

The resolution providing for the issuance of the water revenue bond include the following provisions:

- (a) The bond shall be payable solely from the net revenues of the utility and the sinking fund.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 3. Bonds and Notes Payable (continued)**

- (b) Monthly transfers must be equal to a sum of one-twelfth of the principal. Water Revenue Bonds maturing on the next maturity date plus one-sixth of the interest coming due on the next interest payment date shall be made to the Water Revenue Bond Sinking Fund for the purpose of making bond interest and principal payments when due.
- (c) Water user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

The City has not maintained water user charges at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution.

See the Statement of Indebtedness regarding the details of the development agreements.

**Note 4. Cash and Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**Note 5. Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2010, primarily relating to the General Fund, is \$95,309 based on rates of pay in effect at June 30, 2010.

**Note 6. Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 7. Related Party Transactions**

No material transactions between the City and City officials were noted during the course of the audit.

**Note 8. Commitments**

The City entered into a five year agreement with the Quad-Township Fire Association (Association) (consisting of Concordia, Flint River, Tama, and Union Townships), in January 2004. The City agreed to answer all fire and emergency calls in the Township areas; and the Association will pay the members and officers of the West Burlington Volunteer Fire Department for these calls. The City also agreed to house and store the Association's fire fighting vehicles and equipment for an annual rental of \$5,000. The City is currently in negotiations regarding renewal of the agreement.

In the normal course of business, the City has various outstanding commitments that are not reflected in the accompanying financial statements. The principal commitments of the City are as follows:

Street paving	\$ 110,286
Storm sewer improvements	88,599
Mall road engineering	96,200

**Note 9. Joint Venture**

The City is a participant in the Des Moines County Regional Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the eleven member board. The City paid \$30,016 in recycling fees in fiscal year 2010.

The City also participates with the City of Burlington in an agreement with the Southeast Iowa Regional Airport Authority. The City appoints one member of the five member Board of Trustees. The City contributed \$22,098 to the Airport in fiscal year 2010. There is a five year notice of cancellation requirement.

**Note 10. Industrial Development Revenue Bonds**

The City has issued \$4,000,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely by the borrower of the bonds and the bond principal and interest do not constitute liabilities of the City.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 11. Self-Insured Health Benefits**

The City of West Burlington has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage, the union employees pay 26% of the difference between the single and the family policy and non-union employees pay 6% of the difference between the single and family policy. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$300 per individual and \$600 per family. The total maximum reimbursement liability to be paid by the City is \$96,800. The City's cost related to this reimbursement for the year ended June 30, 2010 was approximately \$96,000.

**Note 12. Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to:	
General fund	\$ 609,157
Equipment replacement	39,178
Water revenue	34,081
Sewer revenue	54,166
Capital projects	89,111
Nonmajor governmental	126,859
Tax increment financing	372,658
Debt service	<u>1,726,121</u>
	<u>\$ 3,051,331</u>
Transfer from:	
Water revenue	\$ 58,195
Sewer revenue	42,833
General fund	488,836
Equipment replacement	77,034
Capital projects	10,114
Road use	9,039
Hotel/Motel tax	10,000
Employee benefits	156,498
Local option	374,097
Tax increment financing	<u>1,824,685</u>
	<u>\$ 3,051,331</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**City of West Burlington**  
**Notes to Financial Statements**

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**Note 13. Contract with the Burlington Municipal Waterworks**

On August 16, 1995, the City of West Burlington entered into an agreement with Burlington Municipal Waterworks to provide for the sale of water to the City of West Burlington. The contract provides an initial term of twenty years, with four additional terms of five years each, unless cancelled by either party after the initial term expires. Water usage began on January 1, 1996 and expenses of \$273,353 were recorded for the year ended June 30, 2010.

**Note 14. Other Postemployment Benefits (OPEB)**

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions* during the year ended June 30, 2010.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 23 active members and one retired member in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$506 for single coverage and \$1,086 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$290,296 and plan members eligible for benefits contributed \$16,122 to the plan.

**Note 15. Prospective Accounting Change**

The GASB has issued a Statement not yet implemented by the City. Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, issued February 2009, will be effective for the City for the fiscal year ending June 30, 2011. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. The fund balance for governmental funds should be reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In the year Statement No. 54 is implemented, the beginning fund balance classifications will be retroactively restated for prior periods presented. The City's management has not yet determined the effect this Statement will have on the its financial statements.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**City of West Burlington**  
**Budgetary Comparison Schedule**  
**of Receipts, Disbursements and Changes in Balances -**  
**Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Required Supplementary Information**  
**Year Ended June 30, 2010**

	Governmental Funds Actual	Proprietary Fund Type Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
<b>Receipts:</b>							
Property tax	\$ 826,745	\$ -	\$ -	\$ 826,745	\$ 936,055	\$ 936,055	\$ (109,310)
Tax increment financing collections	1,968,925	-	-	1,968,925	1,807,979	1,807,979	160,946
Other city taxes	646,133	-	-	646,133	542,094	542,094	104,039
Use of money and property	82,954	300	-	83,254	110,200	110,200	(26,946)
Licenses and permits	45,790	-	-	45,790	75,355	75,355	(29,565)
Intergovernmental	377,192	-	-	377,192	400,364	426,825	(49,633)
Charges for service	206,329	1,085,370	-	1,291,699	1,357,466	1,357,466	(65,767)
Miscellaneous	262,142	65,124	-	327,266	301,280	322,845	4,421
Total receipts	<u>4,416,210</u>	<u>1,150,794</u>	<u>-</u>	<u>5,567,004</u>	<u>5,530,793</u>	<u>5,578,819</u>	<u>(11,815)</u>
<b>Disbursements:</b>							
Public safety	1,179,756	-	-	1,179,756	1,143,400	1,251,534	71,778
Public works	622,353	-	-	622,353	554,248	600,564	(21,789)
Culture and recreation	221,293	-	-	221,293	264,883	292,228	70,935
Community and economic development	277,976	-	-	277,976	257,086	282,086	4,110
General government	437,693	-	-	437,693	460,685	467,713	30,020
Debt service	1,763,709	-	-	1,763,709	1,633,156	1,765,356	1,647
Capital projects	469,288	-	-	469,288	227,500	627,926	158,638
Business type activities	-	1,887,846	-	1,887,846	1,185,386	2,003,103	115,257
Total disbursements	<u>4,972,068</u>	<u>1,887,846</u>	<u>-</u>	<u>6,859,914</u>	<u>5,726,344</u>	<u>7,290,510</u>	<u>430,596</u>
Excess (deficiency) of receipts over disbursements	(555,858)	(737,052)	-	(1,292,910)	(195,551)	(1,711,691)	418,781
Other financing sources	<u>310,636</u>	<u>(45,636)</u>	<u>-</u>	<u>265,000</u>	<u>-</u>	<u>260,000</u>	<u>5,000</u>
Net change in cash balances	(245,222)	(782,688)	-	(1,027,910)	(195,551)	(1,451,691)	423,781
Cash balances beginning of year	<u>2,503,802</u>	<u>1,714,587</u>	<u>-</u>	<u>4,218,389</u>	<u>3,523,522</u>	<u>3,523,522</u>	<u>694,867</u>
Cash balances end of year	<u>\$ 2,258,580</u>	<u>\$ 931,899</u>	<u>\$ -</u>	<u>\$ 3,190,479</u>	<u>\$ 3,327,971</u>	<u>\$ 2,071,831</u>	<u>\$ 1,118,648</u>

See accompanying independent auditor's report.

**City of West Burlington**  
**Notes to Required Supplementary Information - Budgetary Reporting**

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The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds (when they exist). The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$1,564,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works function.

## **OTHER SUPPLEMENTARY INFORMATION**

**City of West Burlington**  
**Schedule of Cash Receipts, Disbursements and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**As of and for the Year Ended June 30, 2010**

	<u>Fourth of July Celebration</u>	<u>Medical Insurance</u>	<u>Hotel/Motel Tax</u>	<u>SE Iowa Safety and Support</u>	<u>Other Programs</u>	<u>Total</u>
Receipts:						
Other taxes	\$ -	\$ -	\$ 37,161	\$ -	\$ 156,498	\$ 193,659
Miscellaneous	<u>23,657</u>	<u>7,150</u>	<u>-</u>	<u>28,325</u>	<u>32,503</u>	<u>91,635</u>
Total receipts	<u>23,657</u>	<u>7,150</u>	<u>37,161</u>	<u>28,325</u>	<u>189,001</u>	<u>285,294</u>
Disbursements:						
Culture and recreation	27,785	-	-	-	-	27,785
General government	<u>-</u>	<u>129,752</u>	<u>23,186</u>	<u>29,270</u>	<u>32,503</u>	<u>214,711</u>
Total disbursements	<u>27,785</u>	<u>129,752</u>	<u>23,186</u>	<u>29,270</u>	<u>32,503</u>	<u>242,496</u>
Excess (deficiency) of receipts over disbursements	<u>(4,128)</u>	<u>(122,602)</u>	<u>13,975</u>	<u>(945)</u>	<u>156,498</u>	<u>42,798</u>
Other financing sources (uses):						
Operating transfers in	10,000	116,859	-	-	-	126,859
Operating transfers out	<u>-</u>	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>(156,498)</u>	<u>(166,498)</u>
	<u>10,000</u>	<u>116,859</u>	<u>(10,000)</u>	<u>-</u>	<u>(156,498)</u>	<u>(39,639)</u>
Net change in cash balances	5,872	(5,743)	3,975	(945)	-	3,159
Cash balances beginning of year	<u>15,256</u>	<u>39,899</u>	<u>11,028</u>	<u>22,033</u>	<u>-</u>	<u>88,216</u>
Cash balances end of year	<u>\$ 21,128</u>	<u>\$ 34,156</u>	<u>\$ 15,003</u>	<u>\$ 21,088</u>	<u>\$ -</u>	<u>\$ 91,375</u>
<b>Cash Basis Fund Balances</b>						
Unreserved:						
Special revenue funds	<u>\$ 21,128</u>	<u>\$ 34,156</u>	<u>\$ 15,003</u>	<u>\$ 21,088</u>	<u>\$ -</u>	<u>\$ 91,375</u>
Total cash basis fund balances	<u>\$ 21,128</u>	<u>\$ 34,156</u>	<u>\$ 15,003</u>	<u>\$ 21,088</u>	<u>\$ -</u>	<u>\$ 91,375</u>

See accompanying independent auditor's report.

**City of West Burlington  
Statement of Indebtedness  
Year Ended June 30, 2010**

Obligation	Date of Issuance	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
<b>General obligation bonds:</b>									
Street improvement and refunding notes	03/01/03	1.35-3.20%	\$ 3,630,000	\$ 815,000	\$ -	\$ 400,000	\$ 415,000	\$ 25,280	\$ -
Aquatic center bonds	10/01/07	3.80-4.05%	4,200,000	3,750,000	-	695,000	3,055,000	148,268	-
Water improvement loan agreement	08/27/08	3.00%	400,000	385,000	-	15,000	370,000	11,400	-
Water improvement bond	03/01/09	2.00-2.40%	850,000	850,000	-	275,000	575,000	23,413	-
Property acquisition note	04/30/10	2.50%	260,000	-	<u>260,000</u>	<u>130,000</u>	<u>130,000</u>	<u>560</u>	<u>-</u>
Total				<u>\$ 5,800,000</u>	<u>\$ 260,000</u>	<u>\$ 1,515,000</u>	<u>\$ 4,545,000</u>	<u>\$ 208,921</u>	<u>\$ -</u>
<b>Water revenue note:</b>									
Water revenue bond	08/20/08	3.00%	\$ 330,000	<u>\$ 329,000</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 328,000</u>	<u>\$ 9,870</u>	<u>\$ -</u>
<b>Urban renewal TIF revenue bond:</b>									
Series 2003-A COBO	08/01/03	3.25-6.00%	\$ 320,000	<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 195,000</u>	<u>\$ 12,190</u>	<u>\$ -</u>
<b>Development agreements</b>	Various	5.70-6.75%	\$ 2,161,000	<u>\$ 1,713,195</u>	<u>\$ -</u>	<u>\$ 128,470</u>	<u>\$ 1,584,725</u>	<u>\$ 142,127</u>	<u>\$ -</u>

**Development Agreements:**

The City has entered into an agreement with a developer providing reimbursements from the City to the developer based upon a 20 year agreement.

The developer has installed streets, sewers, curbing, and other utilities at a cost of \$1.2 million. The City will reimburse the developer using an assumed amortization of 20 years at a rate of 5.7%. The City's payment will not exceed the increase in property taxes on the valuation of the land.

At the end of the 20 year period, the agreement will cease, and the City will not continue payments regardless of any principal due at that time. The City's interest cost for the year ended June 30, 2010 was \$40,876, with \$128,470 applied to the principal.

The City has entered into two other similar agreements with a combined cost of approximately \$961,000. The City's interest cost for the year ended June 30, 2010 was \$101,251 with no principal applied. The terms for these agreements are 10 years, using interest rate assumptions of 5.7% to 6.75%. These agreements are expected to begin principal reimbursements in the 2012 fiscal year.

See accompanying independent auditor's report.

**City of West Burlington  
Bond and Note Maturities  
June 30, 2010**

Year Ending June 30,	General Obligation Bonds											Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Water Revenue Bond	
	Street Improvement Notes March 1, 2003		Aquatic Center Bond October 1, 2007		Water Improvement Loan Agreement August 27, 2008		Water Improvement Bond March 1, 2009		Property Acquisition Note April 30, 2010						
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total	Interest Rate	COBO 2003-A	Interest Rate	Amount
	2011	3.20%	\$ 415,000	3.90%	\$ 720,000	3.0%	\$ 16,000	2.20%	\$ 285,000	2.50%	\$ 65,000	\$ 1,501,000	5.10%	\$ 30,000	3.0%
2012	-	-	3.95%	750,000	3.0%	16,000	2.40%	290,000	2.50%	65,000	1,121,000	5.35%	30,000	3.0%	15,000
2013	-	-	4.00%	775,000	3.0%	17,000	-	-	-	-	792,000	5.55%	30,000	3.0%	16,000
2014	-	-	4.05%	810,000	3.0%	17,000	-	-	-	-	827,000	5.75%	35,000	3.0%	16,000
2015	-	-	-	-	3.0%	18,000	-	-	-	-	18,000	5.90%	35,000	3.0%	16,000
2016	-	-	-	-	3.0%	18,000	-	-	-	-	18,000	6.00%	35,000	3.0%	17,000
2017	-	-	-	-	3.0%	19,000	-	-	-	-	19,000	-	-	3.0%	17,000
2018	-	-	-	-	3.0%	19,000	-	-	-	-	19,000	-	-	3.0%	18,000
2019	-	-	-	-	3.0%	20,000	-	-	-	-	20,000	-	-	3.0%	19,000
2020	-	-	-	-	3.0%	21,000	-	-	-	-	21,000	-	-	3.0%	19,000
2021	-	-	-	-	3.0%	21,000	-	-	-	-	21,000	-	-	3.0%	20,000
2022	-	-	-	-	3.0%	22,000	-	-	-	-	22,000	-	-	3.0%	20,000
2023	-	-	-	-	3.0%	23,000	-	-	-	-	23,000	-	-	3.0%	21,000
2024	-	-	-	-	3.0%	23,000	-	-	-	-	23,000	-	-	3.0%	21,000
2025	-	-	-	-	3.0%	24,000	-	-	-	-	24,000	-	-	3.0%	22,000
2026	-	-	-	-	3.0%	25,000	-	-	-	-	25,000	-	-	3.0%	23,000
2027	-	-	-	-	3.0%	25,000	-	-	-	-	25,000	-	-	3.0%	23,000
2028	-	-	-	-	3.0%	26,000	-	-	-	-	26,000	-	-	3.0%	24,000
		<u>\$ 415,000</u>		<u>\$ 3,055,000</u>		<u>\$ 370,000</u>		<u>\$ 575,000</u>		<u>\$ 130,000</u>	<u>\$ 4,545,000</u>		<u>\$ 195,000</u>		<u>\$ 328,000</u>

See accompanying independent auditor's report.

**City of West Burlington**  
**Schedule of Receipts by Source and Disbursements by Function -**  
**All Governmental Funds**

	Year Ending June 30,							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Receipts:								
Property tax	\$ 826,745	\$ 838,637	\$ 931,804	\$ 927,315	\$ 934,197	\$ 936,733	\$ 978,252	\$ 1,060,387
Tax increment financing collections	1,968,925	1,681,414	1,985,012	1,947,354	1,899,816	1,771,802	1,399,350	1,334,487
Other city taxes	646,133	643,872	537,495	433,246	385,512	391,763	426,373	370,031
Use of money and property	82,954	121,715	168,496	110,046	86,271	59,911	68,661	47,845
Licenses and permits	45,790	49,658	65,219	96,860	51,125	90,160	55,398	31,870
Intergovernmental	377,192	364,218	578,484	405,794	454,128	716,922	372,533	454,443
Charges for services	206,329	227,427	160,947	139,111	146,190	104,357	94,223	92,562
Special assessments	-	-	-	36,138	-	-	-	-
Miscellaneous	<u>262,142</u>	<u>284,720</u>	<u>364,415</u>	<u>290,025</u>	<u>410,076</u>	<u>437,425</u>	<u>305,762</u>	<u>101,145</u>
Total	<u>\$ 4,416,210</u>	<u>\$ 4,211,661</u>	<u>\$ 4,791,872</u>	<u>\$ 4,385,889</u>	<u>\$ 4,367,315</u>	<u>\$ 4,509,073</u>	<u>\$ 3,700,552</u>	<u>\$ 3,492,770</u>
Disbursements:								
Operating:								
Public safety	\$ 1,179,756	\$ 1,120,511	\$ 1,049,996	\$ 1,084,115	\$ 1,370,520	\$ 1,046,473	\$ 1,014,372	\$ 950,496
Public works	622,353	510,378	506,502	455,784	451,451	455,956	507,960	440,143
Culture and recreation	221,293	289,096	111,732	86,148	101,012	80,579	73,754	80,127
Community and economic development	277,976	229,542	205,075	2,349	16,837	2,607	287,374	63,681
General government	437,693	433,061	457,439	290,544	299,438	227,568	246,845	174,589
Debt service	1,763,709	1,358,394	1,118,458	1,220,655	1,118,576	1,445,846	1,130,716	1,502,503
Capital projects	<u>469,288</u>	<u>755,856</u>	<u>4,911,209</u>	<u>681,900</u>	<u>930,076</u>	<u>1,995,007</u>	<u>3,311,529</u>	<u>1,378,528</u>
Total	<u>\$ 4,972,068</u>	<u>\$ 4,696,838</u>	<u>\$ 8,360,411</u>	<u>\$ 3,821,495</u>	<u>\$ 4,287,910</u>	<u>\$ 5,254,036</u>	<u>\$ 6,572,550</u>	<u>\$ 4,590,067</u>

See accompanying independent auditor's report.



**City of West Burlington**  
**Schedule of Selected Employee Related Expenses**

	Year Ended June 30.							
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Disbursements:								
Gross salaries	\$1,336,200	\$1,338,300	\$1,203,900	\$1,164,260	\$1,158,300	\$1,081,500	\$1,087,640	\$ 1,042,363
FICA expense	98,500	98,800	89,500	87,100	87,400	81,500	82,298	78,724
IPERS & ICMA expense	<u>95,600</u>	<u>87,100</u>	<u>82,800</u>	<u>81,800</u>	<u>83,700</u>	<u>76,100</u>	<u>74,271</u>	<u>69,886</u>
Total	<u>\$1,530,300</u>	<u>\$1,524,200</u>	<u>\$1,376,200</u>	<u>\$1,333,160</u>	<u>\$1,329,400</u>	<u>\$1,239,100</u>	<u>\$1,244,209</u>	<u>\$ 1,190,973</u>

See accompanying independent auditor's report.



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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Honorable Mayor and  
Members of the City Council  
City of West Burlington, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of West Burlington, Iowa (City) as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*CPA Associates PC*

September 28, 2010

**City of West Burlington**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part I: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES**

- I-A-10 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City of West Burlington. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation - We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City's management and those charged with governance should decide whether to accept the degree of risk associated with this condition.

Response - The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in the preparation of the financial statements.

Conclusion - Response accepted.

- I-B-10 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent one individual employee from handling a transaction from its inception to its completion. Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City Council and management should continue to provide oversight and direction based upon their direct knowledge of the City's operations and day-to-day contact with employees to control and safeguard assets.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**City of West Burlington**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2010**

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**Part II: Other Findings Related to Required Statutory Reporting**

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceed the amounts budgeted in the Public Works function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation".

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted no disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 Business Transactions - We noted no evidence of business transactions between the City and City officials or employees that we believed to be in violation of statutory provisions.

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 Bonds and Revenue Notes - The water user charges were not at a level that produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution. The water net revenues were a loss in the current year.

Recommendation - Water user charges need to be at a level that produces and maintains net revenues equal to at least 110% of principal and interest requirements due in the same year as required by the water revenue bond resolution.

Response - The City has raised water user charges 5% for the next fiscal year.

Conclusion - Response accepted.

II-H-10 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.